

ARTICLE APPEARED
ON PAGE **A1**NEW YORK TIMES
26 November 1986

Iran Payment Is Found Diverted to the Contras; Two Reagan Men Are Out

By **BERNARD WEINRAUB**

Special to The New York Times

WASHINGTON, Nov. 25 — President Reagan said today that he had not been in full control of his Administration's Iran policy, and the White House said that as a consequence up to \$30 million intended to pay for American arms had been secretly diverted to rebel forces in Nicaragua.

At the same time, the President announced that two men he held responsible — Vice Adm. John M. Poindexter and Lieut. Col. Oliver L. North of the Marines — had left their posts in the White House.

With the Administration already in turmoil over the earlier disclosure of clandestine arms shipments to Iran, and with speculation rampant in the capital about a major overhaul of the White House staff, the President's disclosures today seemed to deepen a sense of disarray within the Government. By all accounts, Mr. Reagan now faces the most serious crisis in his six-year Presidency.

Shultz to Control Policy

The State Department, meanwhile, announced that Mr. Shultz had been given control over future Iran policy, authority that apparently met the Secretary of State's condition for remaining in office. State Department officials, including Mr. Shultz, have said that they were left in the dark on much of the Iran operation. [Page A12.]

Mr. Reagan stunned legislators and ranking Administration officials by announcing in a televised session with reporters that he had not been "fully informed" of some details of his Iran policy and that the two ranking National Security Council advisers were leaving after "serious questions of propriety had been raised."

Inquiry Still Under Way

Mr. Reagan said that, "although not directly involved," Admiral Poindexter had "asked to be relieved of his assignment" and would return to the Navy. A key Poindexter assistant, Colonel North "has been relieved of his duties on the National Security Council staff," Mr. Reagan said. Colonel North was widely reported to be the central figure in the clandestine United States sale of arms to Iran.

After Mr. Reagan's announcement, Attorney General Edwin Meese 3d said the Justice Department was still investigating the way in which Nicaraguan rebel forces received "somewhere between 10 and 30 million dollars" paid to

"representatives of Israel" funneling the arms to Iran.

Israeli and American sources said today that a Saudi arms dealer played a central role in financing the Iranian purchase of arms transferred by Israel to Iran on behalf of the United States.

In San José, Costa Rica, civilian leaders of Nicaraguan rebel groups said today they knew nothing of secret transfers of funds to their organization arranged by Lieut. Col. Oliver North.

Only Colonel North Knew

"The only persons in the United States Government that knew precisely about this — the only person — was Lieutenant Colonel North," said Mr. Meese. "Admiral Poindexter did know that something of this nature was occurring, but he did not look into it further."

"C.I.A. Director Casey, Secretary of State Shultz, Secretary of Defense Weinberger, myself, the other members of the N.S.C., none of us knew."

"The President knew nothing about it until I reported it to him," Mr. Meese told reporters in the packed White House press room. "I alerted him yesterday morning."

Mr. Reagan said that he would name a commission to examine the role of the National Security Council staff, which directed the Iran operation, and that the Justice Department will undertake a full-scale investigation of how the money was handled to determine whether Federal crimes were committed in channeling money to the contras at a time when Congress had barred United States military aid to them.

The Administration's account, admittedly incomplete while its investigation continued, left several questions unanswered, among them these:

¶Whose idea was it to use money from the sale of arms to help the contras and who authorized the Israelis to make the deposits?

¶How did the Israelis get from Iran \$10 million to \$30 million more than the arms were said to be worth? Or were the arms worth more than the reported \$12 million?

¶Which Israelis handled the transactions and the deposits to the contras' accounts, and were they officials or private individuals?

¶Did other American officials know of the plan to aid the contras with the money from the arms sales?

¶When did Admiral Poindexter decide to resign and why? When did he first mention it to White House officials?

Among those mentioned as successors to Admiral Poindexter were Secretary of the Navy John F. Lehman, Jr., Max M. Kampelman, chief United States arms negotiator at Geneva, former Senator John Tower of Texas, Brent Scowcroft, head of the National Security Council under President Ford, and Paul Laxalt, the outgoing Nevada Republican Senator and a close friend of Mr. Reagan, Administration officials said.

In the meantime, Alton G. Keel, Jr., Admiral Poindexter's deputy and a veteran Government official, was named acting head of the National Security Council. Mr. Meese said that President Reagan will name a permanent N.S.C. director "as soon as possible."

The Attorney General said that a

third person aware of the diversion of funds to the contras was Robert C. McFarlane, former national security director and a central figure in the plan to send arms to Iran. Mr. Meese said that Mr. McFarlane was aware of the scheme in "April or May of 1986 at a time when he was no longer in the Government."

Asked why Mr. McFarlane failed to say anything to Mr. Reagan, Mr. Meese replied, "I don't know." Mr. McFarlane, Admiral Poindexter and Colonel North were unavailable for comment.

Asked if Colonel North would be prosecuted, Mr. Meese replied, "We are presently looking into the legal aspects of it as to whether there's any criminality involved."

Mr. Meese answered with a quick no when asked if it would be appropriate to name a special prosecutor to examine the matter until the Justice Department completed its review.

Administration officials said that Mr. Meese had personally questioned Colonel North in the Attorney General's office on Sunday. The day before, the Marine officer was questioned at length in his office by Justice Department lawyers, officials said.

Details of Transfer Unclear

Details of the way the funds were siphoned to the contras were not clear, but Mr. Meese said that with Colonel North's knowledge, \$10 million to \$30 million collected by Israeli middlemen for United States-shipped military equipment was transferred to Swiss bank accounts set up by the rebels.

The funds "were just provided to the contras through this bank account and that was the end, so far as we know, of anyone in the United States Government knowing anything about what happened."

By all indications, the Israelis overcharged for the arms and the additional money was placed in the bank

account of the contras. But it was left unclear if the plan to overcharge was made at the request of United States or Israeli officials.

Perhaps the clearest explanation of the arrangement came from the new House majority leader, Jim Wright, Democrat of Texas, who said that Mr. Meese had told Congressional leaders at a private briefing this morning that Israel and the Iranians had negotiated a price. The deal struck was greater than the cost to the United States Government.

Mr. Wright described one of transactions this way. The arms were sold by the Israelis to the Iranians for \$19 million, after which the Central Intelligence Agency reimbursed the Defense Department for \$3 million, covering its costs. Of the remaining \$16 million, Mr. Wright said, about \$12 million was placed in a Swiss bank account for the contras and Adolfo Calero, a contra leader, drew the money.

Mr. Meese said that "this was all done during a period when the funding was not being provided by the Congress" for the contras.

Asked if there had been any violation of the law, Mr. Meese replied: "That's something we're looking at in the present time, because it depends on two things: Precisely what was done, and precisely who did it in terms of what people who are United States officials or United States citizens actually participated in and what their conduct was. That's what we're still looking at."

"We haven't had a chance to interview everyone," Mr. Meese said.

Mr. Meese said the scheme to divert money to buy arms for the contras came to light last weekend during a Justice Department investigation of documents relating to the controversial arms sale to Iran. He blamed the money transfer and the apparent breakdown of checks and balances on a

system of "compartmentalized" information where "a lot of people did not know certain things that were going on that were being done by others."

Mr. Reagan, wearing a grim expression, told reporters in the White House press room that he had asked Mr. Meese last Friday for a "complete factual record with respect to the implementation of my policy toward Iran." The report that Mr. Meese prepared, after extensively questioning of Colonel North, led Mr. Reagan to conclude that he "was not fully informed of the nature of one of the activities undertaken in connection with this initiative."

"This action raises serious questions of propriety," Mr. Reagan said.

Mr. Meese said that in the course of his investigation, documents surfaced referring to an apparent discrepancy between the money Iran paid for the military equipment and the money deposited in Swiss bank accounts for the contra leaders.

Israel paid the C.I.A. — the agent for the U.S. Government — about \$12 million for the arms sent by the Defense Department, Mr. Meese said. In turn, he said, the Israelis sold the arms to the Iranians at a far higher price, with the difference placed in the Swiss bank account for the contras.

"All of these transactions that I'm referring to took place between January 1986 and the present time," Mr. Meese said.

A senior Administration official said Mr. Meese approached Mr. Reagan late last week and sought permission to begin an investigation to reconstruct the decisions that led to the Iranian arms deal. Mr. Reagan agreed. Mr. Meese's purpose, the official said, was to avert further political damage to Mr. Reagan as a result of the public clash among Administration officials over the Iran operation.

"What was needed was a single cred-

ible analysis, a definitive study of what happened," said the official. As the investigation proceeded over the weekend, the official said, documents were uncovered indicating the diversion of money to the contras.

'One Particular Document'

Asked how he discovered the actual transfer of funds to the contras, Mr. Meese replied:

"In the course of the review of documents, we came across a reference to the possibility of differences in amount between the funds being paid by Iran and the amount of the actual weapons — that was one thing.

"And secondly, there were some references to this in one particular document that we found. While it didn't reveal the whole situation, we then found that as the basis for proceeding further and discussing with one of the participants what this all meant and that how this got started."

Mr. Meese did not identify the document, but in a comment to reporters during the briefing, the Attorney General said there had been a "thorough review of a number of intercepts." Intercepts is Justice Department jargon for the results of electronic eavesdropping, and the possibility was raised that the transcript might have included an overheard communication.

Mr. Meese found that all United States funds and property "were accounted for." Justice Department sources indicated that the F.B.I. would be called into the investigation.

Mr. Meese revealed that the first United States-sanctioned arms shipment to Iran took place in 1985 without Mr. Reagan's knowledge, and was approved by the President only after the fact. In all, there were at least three United States arms shipments to Iran, he said.